

EXHIBIT 1

INTRODUCTION

Respondent Residential Builders Association of San Francisco PAC (“the Committee”) is a state general purpose recipient committee that is sponsored by Respondent Residential Builders Association of San Francisco (“RBA”), a professional trade organization whose members are builders, contractors, and real estate developers. Respondent Joe Cassidy, a builder and member of Respondent RBA, serves as the treasurer of Respondent Committee.

The Political Reform Act (the “Act”)¹ requires state general purpose recipient committees to comply with various campaign reporting requirements regarding the expenditure of campaign funds. In this matter, Respondent RBA violated the Act by failing to report on campaign statements required information regarding its members who were contributors of \$100 or more to Respondent Committee. In addition, Respondent Committee and Respondent Joe Cassidy failed to file a late contribution report; failed to send major donor notification letters to contributors of \$5,000 or more; and made prohibited loans of campaign funds to RBA.

For the purposes of this stipulation, Respondents’ violations of the Act are stated as follows:

COUNT 1: Respondent Residential Builders Association of San Francisco failed to properly report contributor information for 89 contributors of \$100 or more on a semi-annual campaign statement, for the reporting period January 1 through June 30, 1999, that was filed on or about July 31, 1999, in violation of section 84211, subdivision (f).

COUNT 2: Respondent Residential Builders Association of San Francisco failed to properly report contributor information for 15 contributors of \$100 or more on a pre-election campaign statement, for the reporting period July 1 through October 16, 1999, that was filed on or about October 21, 1999, in violation of section 84211, subdivision (f).

COUNT 3: Respondent Residential Builders Association of San Francisco failed to properly report contributor information for 15 contributors of \$100 or more on a semi-annual campaign statement, for the reporting period October 17 through December 31, 1999, that was filed on or about January 10, 2000, in violation of section 84211, subdivision (f).

COUNT 4: Respondent Residential Builders Association of San Francisco failed to

¹ The Political Reform Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in sections 18109 through 18997 of title 2 of the California Code of Regulations. All regulatory references are to title 2, division 6 of the California Code of Regulations, unless otherwise indicated.

properly report contributor information for 36 contributors of \$100 or more on a pre-election campaign statement, for the reporting period January 1 through February 19, 2000, that was filed on or about February 24, 2000, in violation of section 84211, subdivision (f).

COUNT 5: Respondent Residential Builders Association of San Francisco failed to properly report contributor information for 102 contributors of \$100 or more on a semi-annual campaign statement, for the reporting period February 20 through June 30, 2000, that was filed on or about July 31, 2000, in violation of section 84211, subdivision (f).

COUNT 6: Respondent Residential Builders Association of San Francisco failed to properly report contributor information for 80 contributors of \$100 or more on a pre-election campaign statement, for the reporting period July 1 through October 21, 2000, that was filed on or about October 27, 2000, in violation of section 84211, subdivision (f).

COUNT 7: Respondents Residential Builders Association of San Francisco PAC and Joe Cassidy failed to file a late contribution report disclosing a \$10,000 late contribution made to California State Senate candidate Michael Machado, by the November 4, 2000 due date, in violation of section 84203, subdivision (a).

COUNT 8: Respondents Residential Builders Association of San Francisco PAC and Joe Cassidy failed to send a major donor notification letter to 188 King Street Associates LLC, a contributor of \$5,000 or more, by the November 26, 2000 due date, in violation of section 84105.

COUNT 9: Respondents Residential Builders Association of San Francisco PAC and Joe Cassidy failed to send a major donor notification letter to A.F. Evans Company, Inc., a contributor of \$5,000 or more, by the November 26, 2000 due date, in violation of section 84105.

COUNT 10: Respondents Residential Builders Association of San Francisco PAC and Joe Cassidy failed to send a major donor notification letter to Coyne Development Co., a contributor of \$5,000 or more, by the November 26, 2000 due date, in violation of section 84105.

COUNT 11: Respondents Residential Builders Association of San Francisco PAC and Joe Cassidy failed to send a major donor notification letter to Felim O'Reilly, a contributor of \$5,000 or more, by the November 26, 2000 due date, in violation of section 84105.

COUNT 12: Respondents Residential Builders Association of San Francisco PAC and Joe Cassidy failed to send a major donor notification letter to Imbelloni

Construction Co., Inc., a contributor of \$5,000 or more, by the November 26, 2000 due date, in violation of section 84105.

COUNT 13: Respondents Residential Builders Association of San Francisco PAC and Joe Cassidy failed to send a major donor notification letter to James Nunemacher, a contributor of \$5,000 or more, by the November 26, 2000 due date, in violation of section 84105.

COUNT 14: Respondents Residential Builders Association of San Francisco PAC and Joe Cassidy failed to send a major donor notification letter to John Talty, a contributor of \$5,000 or more, by the November 26, 2000 due date, in violation of section 84105.

COUNT 15: Respondents Residential Builders Association of San Francisco PAC and Joe Cassidy failed to send a major donor notification letter to Matthew Murphy, a contributor of \$5,000 or more, by the November 26, 2000 due date, in violation of section 84105.

COUNT 16: Respondents Residential Builders Association of San Francisco PAC and Joe Cassidy failed to send a major donor notification letter to Mississippi Street Lofts LLC, a contributor of \$5,000 or more, by the November 26, 2000 due date, in violation of section 84105.

COUNT 17: Respondents Residential Builders Association of San Francisco PAC and Joe Cassidy failed to send a major donor notification letter to Pat Harty, a contributor of \$5,000 or more, by the November 26, 2000 due date, in violation of section 84105.

COUNT 18: Respondents Residential Builders Association of San Francisco PAC and Joe Cassidy failed to send a major donor notification letter to R.A.M. Development, Inc., a contributor of \$5,000 or more, by the November 26, 2000 due date, in violation of section 84105.

COUNT 19: Respondents Residential Builders Association of San Francisco PAC and Joe Cassidy failed to send a major donor notification letter to Village Properties, a contributor of \$5,000 or more, by the November 26, 2000 due date, in violation of section 84105.

COUNT 20: On or about January 5, 2001, Respondents Residential Builders Association of San Francisco PAC and Joe Cassidy made a prohibited loan to an organization that was not a bona fide charitable, educational, civic, religious, or similar tax-exempt, non-profit organization, in violation of section 89515.

COUNT 21: On or about January 8, 2001, Respondents Residential Builders Association of San Francisco PAC and Joe Cassidy made a prohibited

loan to an organization that was not a bona fide charitable, educational, civic, religious, or similar tax-exempt, non-profit organization, in violation of section 89515.

COUNT 22:

On or about February 9, 2001, Respondents Residential Builders Association of San Francisco PAC and Joe Cassidy made a prohibited loan to an organization that was not a bona fide charitable, educational, civic, religious, or similar tax-exempt, non-profit organization, in violation of section 89515.

SUMMARY OF THE LAW

Duty to File Periodic Campaign Statements

An express purpose of the Act, as set forth in section 81002, subdivision (a), is to ensure that receipts and expenditures in election campaigns are fully and truthfully disclosed, so that voters may be fully informed, and improper practices may be inhibited. The Act therefore establishes a campaign reporting system designed to accomplish this purpose of disclosure.

One feature of this system is section 84200, subdivision (a), which requires a recipient committee, as defined in section 82013, subdivision (a), to file semi-annual campaign statements each year no later than July 31 for the period ending June 30, and no later than January 31 for the period ending December 31. In addition, section 84200.5, subdivision (e) requires a recipient committee that is a state general purpose committee, as defined in section 82027.5, subdivision (b), to file two pre-election campaign statements before an election in which the committee has contributed \$500 or more. Section 84200.8, subdivision (a) provides that the first pre-election statement, for the reporting period ending 45 days before the election, must be filed no later than 40 days before the election. Section 84200.8, subdivision (b) provides that the second pre-election statement, for the reporting period ending 17 days before the election, must be filed no later than 12 days before the election.

Pursuant to section 84215, subdivision (a), a state general purpose committee must file an original and a copy of its periodic campaign statements with the Secretary of State; and two copies with the clerk of the county in which it is domiciled, the Registrar-Recorder of the County of Los Angeles, and the Registrar of Voters of the City and County of San Francisco.

Duty of Sponsored Committees to Disclose Contributions Received by Sponsor

Section 82048.7, subdivision (a) defines a “sponsored committee” as a committee, other than a candidate controlled committee, that has one or more sponsors. A membership organization becomes a sponsor of a committee by collecting contributions for the committee through payroll deductions or dues from its members. (Section 82048.7, subd. (b).)

By virtue of receiving contributions on behalf of its sponsored committee, or making contributions to the sponsored committee, a sponsor may itself become a committee with reporting obligations unless, as provided in regulation 18419, all of the following apply: (1) the

sponsor does not receive contributions other than those in support of the sponsored committee; (2) the sponsored committee discloses all of the contributions received by the sponsor, and discloses the true source of those contributions on its campaign statements; (3) the sponsored committee discloses the sponsor as the intermediary of contributions from the sponsor's members; and (4) a responsible officer of the sponsor, as well as the treasurer of the sponsored committee, verify the committee's campaign statements.

Duty to Disclose and Itemize Information for Contributors of \$100 or More

Section 84211, subdivision (f) requires that on each of its campaign statements, a committee must report the following information about any person who has contributed \$100 or more to the committee, and has made a contribution to the committee during the reporting period covered by the statement: (1) the contributor's full name; (2) the contributor's street address; (3) the contributor's occupation; (4) the name of the contributor's employer, or if self-employed, the name of the contributor's business; (5) the date and amount of each contribution received from the contributor during the reporting period; and (6) the cumulative amount of contributions received from the contributor.

Duty to File Late Contribution Reports

Under section 84203, subdivision (a), when a committee makes or receives a late contribution, the committee must file a late contribution report disclosing the contribution within 24 hours of making or receiving the contribution. Section 82036 defines a "late contribution" as a contribution aggregating \$1,000 or more that is received before an election, but after the closing date of the last pre-election statement that is required to be filed. Under section 84200.7, subdivision (b), for an election held in November of an even-numbered year, the late contribution period covers the last 16 days before the election.

Duty to Notify Contributors of \$5,000 or More

When a committee receives a contribution of \$5,000 or more, section 84105 requires the committee to notify the contributor that he or she may qualify as a "major donor committee" and therefore have filing obligations under the Act. The notice must be in writing, and sent within two weeks of receiving the contribution. A contributor can qualify as a major donor committee by making contributions totaling \$10,000 or more in a calendar year. (Section 82013, subd. (c).) Under regulation 18427.1, a committee has no obligation to send a major donor notification letter to a contributor, if the committee has previously sent a major donor notification letter to the contributor in the same calendar year.

Prohibition Against Making Loans with Campaign Funds

The Act imposes restrictions on the expenditure of campaign funds by recipient committees. (Section 89511, subd. (a).) Section 89511, subdivision (b) defines "campaign funds" to include any contributions, cash, cash equivalents, or other assets received or possessed

by a recipient committee. Section 89512.5 sets forth the general rule that expenditures made by a non-candidate controlled committee shall be reasonably related to a political, legislative, or governmental purpose of the committee. Section 89515 sets forth a specific rule for loans and provides that campaign funds may only be used to make a loan when three requirements are met. Under the first requirement, the loan must be made to a bona fide charitable, educational, civic, religious, or similar tax-exempt, non-profit organization. Under the second requirement, no substantial part of the loan may have a material financial effect on the campaign treasurer, or any individual with authority to approve the expenditure of campaign funds held by the committee, or any member of his or her immediate family. Under the third requirement, the loan must bear a reasonable relation to a political, legislative, or governmental purpose.

Liability of Committee Treasurers

Under section 81004, subdivision (b), section 84100, and regulation 18427, subdivision (c), it is the duty of a committee's treasurer to ensure that the committee complies with all of the requirements of the Act concerning the receipt and expenditure of funds, and the reporting of such funds. A committee's treasurer may be held jointly and severally liable, along with the committee, for any reporting violations committed by the committee. (Sections 83116.5, 91006.)

SUMMARY OF THE FACTS

Respondent Residential Builders Association of San Francisco PAC is a state general purpose recipient committee that is sponsored by Respondent Residential Builders Association of San Francisco, a professional organization whose members are builders, contractors, and real estate developers. Respondent Joe Cassidy serves as the treasurer of Respondent Committee. This case arose as a result of an audit by the Franchise Tax Board of Respondent Committee's activities during the period January 1, 1999 through December 31, 2000. During the audit period, Respondent Committee received \$1,003,761 in campaign contributions, and made \$698,207 in campaign expenditures.

COUNTS 1-6

Failure to Properly Disclose and Itemize Contributor Information

Respondent RBA raises money for Respondent Committee by collecting, from its members, annual membership dues that range from \$500 to \$10,000 per calendar year; and by holding periodic fundraisers and formal events for its members. Respondent RBA then deposits a portion of the proceeds into the bank account of Respondent Committee. If Respondent Committee, as a sponsored committee, fails to properly report a contribution, then the obligation to report the contribution falls on Respondent RBA, the sponsor of Respondent Committee.

In 1999, Respondent Committee received contributions of \$100 or more from 121 RBA members, totaling \$129,505. On three periodic campaign statements filed by Respondent Committee in 1999, Respondents were required to disclose the full name and street address of each contributor; the occupation and employer, if applicable, of each contributor; the date and amount of each contribution received from the contributor during the reporting period; and the cumulative amount of contributions received from the contributor during the calendar year.

However, Respondents did not disclose the required contributor information for the 121 RBA members.

In 2000, Respondent Committee received contributions of \$100 or more from 166 RBA members, totaling \$210,486. On three periodic campaign statements filed by Respondent Committee in 2000, Respondents were required to disclose the full name and street address of each contributor; the occupation and employer, if applicable, of each contributor; the date and amount of each contribution received from the contributor during the reporting period; and the cumulative amount of contributions received from the contributor during the calendar year. However, Respondents did not disclose the required contributor information for the 166 RBA members.

The following table sets forth by count each reporting period in 1999 and 2000 in which a reporting violation occurred; the campaign statement filed for that period; the number of RBA members who were not properly disclosed on the campaign statement filed for that period; and the total amount of contributions received by Respondent Committee from the non-disclosed contributors during that period:

Counts	Reporting Period	Number of Contributors Not Disclosed	Total Amount Received
1	January 1 to June 30, 1999 (1st Semi-annual)	91	\$66,166
2	July 1 to October 16, 1999 (Combined 1st and 2nd Pre-election)	15	\$20,209
3	October 17 to December 31, 1999 (2nd Post-election Semi-annual)	15	\$43,230
4	January 1 to February 19, 2000 (Combined 1st and 2nd Pre-election)	36	\$32,967
5	February 20 to June 30, 2000 (1st Post-election Semi-annual)	50	\$42,419
6	July 1 through October 22, 2000 (Combined 1st and 2nd Pre-election)	80	\$135,000
Total		287	\$339,991

As Respondent Committee failed, during six reporting periods, to disclose required information regarding RBA members who contributed \$100 or more, Respondent RBA, the sponsor of Respondent Committee, committed six violations of section 84211, subdivision (f).

COUNT 7 **Failure to File Late Contribution Report**

Respondent Committee and its treasurer, Respondent Cassidy, had a duty to file late contribution reports disclosing any late contributions that Respondent Committee made prior to an election. On or about November 3, 2000, Respondent Committee made a late contribution of \$10,000 to California State Senate Candidate Michael Machado, four days before the November

7, 2000 general election. Respondents were required to file a late contribution report disclosing the late contribution within 24 hours, but failed to do so. By failing to file a late contribution report disclosing a \$10,000 late contribution, Respondent Committee and Respondent Cassidy violated section 84203, subdivision (a).

COUNTS 8-19

Failure to Send Major Donor Notifications

Respondent Committee and its treasurer, Respondent Cassidy, had a duty to notify any person who contributed \$5,000 or more to Respondent Committee that the contributor may be obligated to file campaign statements as a major donor committee. On or about November 16, 2000, Respondent Committee held a fundraising event at which it received 12 contributions of \$5,000 or more, totaling \$501,000. Within two weeks of receiving the 12 contributions, Respondents were required to notify each contributor of the potential obligation to file a campaign statement as a major donor committee. Respondents, however, failed to send the notifications. The following table sets forth by count the name of each contributor to whom Respondent Committee did not send the required notification, and the amount of the contribution made by the contributor to Respondent Committee at the time the notification requirement was triggered:

Counts	Major Donor Contributor	Amount of Contribution
8	188 King Street Assoc. LLC	\$40,000
9	A.F. Evans Company Inc.	\$50,000
10	Coyne Development Co.	\$25,000
11	Felim O'Reilly	\$25,000
12	Imbelloni Construction Co., Inc.	\$50,000
13	James Nunemacher	\$50,000
14	John Talty	\$18,000
15	Matthew Murphy	\$50,000
16	Mississippi Street Lofts LLC	\$24,000
17	Pat Harty	\$25,000
18	R.A.M. Development	\$70,000
19	Village Properties	\$25,000
Total		\$452,000

By failing to send a major donor notification to 12 contributors of \$5,000 or more, Respondent Committee and Respondent Cassidy committed 12 violations of section 84105. Respondents' failure to send the major donor notifications caused each of the 12 contributors to violate the Act by failing to file a major donor campaign statement.²

² Through the Commission's streamlined major donor enforcement program, the contributors named in Counts 8-19 have already paid a separate penalty for failing to file a major donor campaign statement.

COUNTS 20-22
Making Prohibited Loans of Campaign Funds

Respondent Committee and Respondent Cassidy were prohibited from making a loan of committee campaign funds to any organization other than a bona fide charitable, educational, civic, religious or similar tax-exempt, non-profit organization. After the November 7, 2000 general election, Respondent Committee had excess campaign funds. On or about January 5, 2001, Respondent Cassidy authorized Respondent Committee to loan \$150,000 in campaign funds to its sponsor, Respondent RBA. Three days later, on or about January 8, 2001, Respondent Cassidy authorized Respondent Committee to loan an additional \$100,000 to Respondent RBA. Thirty days later, on or about February 9, 2001, Respondent Cassidy again authorized Respondent Committee to loan \$100,000 to Respondent RBA. In total, Respondent Committee loaned \$350,000 to Respondent RBA. All of the loans were reported by Respondent Committee on its campaign statements. Respondent RBA used the funds to pursue a business venture in Oakland. According to Respondent Committee, the loans were made at an interest rate of 10 percent, and for the purpose of making a short term investment until the next election.

The following table sets forth by count the date and amount of each loan made by Respondent Committee to Respondent RBA:

Counts	Date of Loan	Loan Amount
23	January 5, 2001	\$150,000
24	January 8, 2001	\$100,000
25	February 9, 2001	\$100,000
Total		\$350,000

By making three loans to an organization that was not a bona fide charitable, educational, civic, religious or similar tax-exempt, non-profit organization, Respondent Committee and Respondent Cassidy committed three violations of section 89515.

ADDITIONAL INFORMATION

In 1995, Respondent Committee and Respondent Joe Cassidy were the subject of an FPPC enforcement action, in which Respondents paid a stipulated penalty of \$14,000. In that matter, Respondents violated the Act by failing to file two semi-annual campaign statements, three late contributions reports, and two late independent expenditure reports. Respondents further violated the Act by failing to disclose required information regarding RBA members who contributed \$100 or more to Respondent Committee for contributions totaling \$8,798, and by failing to disclose contributions totaling \$32,145 made by Respondent Committee to candidates and other committees. In addition, Respondent Joe Cassidy, individually, failed to file a major donor campaign statement.

As part of the stipulated agreement in the previous enforcement action, Respondents were required to correct their omissions by filing the missing campaign statements, and/or by filing amendments to reflect any missing information. Consequently, Respondents gained actual

knowledge of and experience with the campaign reporting requirements applicable to committees that receive contributions from membership dues through a sponsoring organization.

CONCLUSION

This matter consists of 22 counts, which carry a maximum possible administrative penalty of Two Thousand Dollars (\$2,000) per violation for Counts 1 through 19, and Five Thousand Dollars (\$5,000) per violation for Counts 20-22, for a total administrative penalty of Fifty-three Thousand (\$53,000).³

Regarding Counts 1 through 6, the typical penalty for failing to disclose information regarding a contributor has historically ranged from \$1,500 to \$2,000 per violation. In this matter, Respondent RBA failed to disclose information for a significant number of contributors, and has admitted to committing the same violation in the past. As such, imposition of a penalty of \$2,000 per violation, for a total of \$12,000, for these violations is appropriate.

Regarding the failure of Respondent Committee and Respondent Cassidy to timely disclose a \$10,000 late contribution in Count 7, under the Commission's streamlined late contribution enforcement program, the approved administrative penalty is 15 percent of the amount of the undisclosed contribution. As this violation was not resolved through that program, however, and as Respondent has a prior history of committing the same violation, imposition of the maximum penalty of \$2,000 is appropriate.

Regarding Counts 8 through 19, the typical penalty for failing to send a major donor notification to a contributor of \$5,000 or more has historically ranged from \$1,000 to \$2,000 per violation, depending upon the circumstances of the case. In this matter, Respondent Committee and Respondent Cassidy failed to send major donor notifications to a significant number of contributors, who ultimately failed to properly file major donor campaign statements. As such, imposition of a penalty at the high end of the range, for a total of \$18,000, is appropriate.

Regarding Counts 19-21, although the loans were reported on Respondent Committee's campaign statements, the improper use of campaign funds by Respondent Committee and Respondent Cassidy is a very serious violation of the Act. As such, imposition of the maximum penalty of \$5,000 per violation, for a total of \$15,000, is appropriate.

Accordingly, the facts of this case justify an administrative penalty of \$12,000 from Respondent RBA for Counts 1 through 6 and \$35,000 from Respondent Committee and Respondent Cassidy for Counts 7-22, for a total administrative penalty of \$47,000.

³ On January 1, 2001, the maximum administrative penalty amount increased from Two Thousand Dollars (\$2,000) to Five Thousand Dollars (\$5,000) for violations occurring after that date.